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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000271

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TREASURY FOR OASIA/LMOGHTADER
USTR FOR STRATFORD, ALTBACH

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TAGS: [EAIR](#) [ECON](#) [PREL](#) [CH](#) [TW](#)

SUBJECT: CROSS-STRAIT CHARTERS COULD START IN MAY

REF: A. TAIPEI 246

- [1B.](#) TAIPEI 133
[1C.](#) 06 TAIPEI 4173

Classified By: AIT Acting Director Robert S. Wang, Reason 1.4 d

[¶1.](#) (C) The airline executive who nominally represents Taiwan in cross-Straight discussions on cargo and weekend passenger charter flights told AIT that nearly all outstanding technical issues had been resolved. However, he is not sure how the timing of an announcement will be affected by ongoing discussions on tourism. He speculated that the earliest possible date for implementation of new charter flights would be May 1. The two sides have tentatively agreed to 24 roundtrip passenger flights per week. This volume is not enough to have a major impact on cross-Straight travel. End summary.

Link to Tourism Could be Problematic

[¶2.](#) (C) Taipei Airlines Association Chairman Tony C.C. Fan told AIT on February 1 that Taiwan and China had resolved nearly all technical issues related to frequent cargo and weekend passenger charter flights in the last meeting in Macau. However, he was not sure how the timing of an announcement on charter flights would be affected by ongoing discussions on tourism. Fan concurred with media reports that an agreement on tourism was also nearing completion. He reported that Civil Aviation Administration of China Director of Taiwan Affairs Pu Zhaozhou, who leads the charter flight negotiations for China, told Fan that agreements on tourism and charter flights would have to be announced together. Yang Yi, the spokesman for the PRC's Taiwan Affairs Office, told the press Wednesday that the two were closely linked and the PRC wished to implement them at the same time.

[¶3.](#) (C) Taiwan wants to implement tourism first and charter flights later. Fan noted that the Taiwan Solidarity Union's (TSU) persistent opposition to passenger charter flights could cause the Chen administration to insist that the tourism deal come first. Mainland Affairs Council (MAC) Chairman Joseph Wu and other senior MAC officials this week have publicly emphasized that tourism and charter flights are being

negotiated separately. However, a February 1 media report cited an unnamed senior MAC official as saying in the end agreements on passenger charters, cargo charters and tourism could evolve into a "three-in-one" announcement. Fan speculated that the anonymous MAC comment may have been planted in order to test reactions from the TSU and the public overall.

May 1 Take Off?

¶4. (C) On the possible timing, Fan said announcements on charter flights or tourism were both unlikely before the Lunar New Year holiday, which begins on February 17. By the time officials come back to work on both sides of the Strait, he suggested that the earliest realistic timing for an announcement would be mid-March. If the two agreements are implemented simultaneously, Fan believes that May 1 would be the earliest possible implementation date. He pointed out that travel agents would need one to two months to make necessary arrangements, but charter flights would take less time.

24 Weekly Roundtrip Passenger Flights

¶5. (C) Fan described the consensus reached on technical arrangements for charter flights. There would be 24 weekly roundtrip flights for weekend passenger charters. Taiwan and China would each fly 12. The flights would operate from noon on Friday through the end of the day on Sunday. On media reports that the two sides had agreed that foreigners would be permitted to purchase tickets for charter flights, Fan said that the PRC had previously

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objected to any agreement that specified foreigners as eligible passengers because this might give the appearance of international flights. Fan said Taiwan negotiators proposed wording that simply opened the flights to anyone with valid travel documents. PRC negotiators had not objected to the proposal, according to Fan, but neither had they explicitly agreed.

¶6. (C) For frequent cargo charters, Fan told us that the two sides had agreed to a total of 60 roundtrip flights per month. Each day there would be one Taipei-Shanghai and one Taipei-Guangzhou flight. One day, a Chinese airline would fly the Guangzhou route and a Taiwan airline would fly the Shanghai route. The two sides would switch routes each day. Fan commented that the problem with cargo charters was although flights from Taiwan to China would be full, airlines would have trouble filling capacity in the other direction.

Comment - Moving Forward...Slowly

¶7. (C) Public signals from officials on both sides of the Strait and Fan's private comments both suggest that progress is being made on the charter flights and tourism initiatives. News that foreigners might be permitted to use the new charter flights is especially welcome to the foreign business community. However, the timeline for these discussions has been pushed back so many times it is difficult to put too much confidence in speculation about implementation on May 1.

¶8. (C) In addition, the number of passenger charter flights under discussion is too low to have a major impact on cross-Straits travel overall. An additional 24 round trip flights per week added to the current schedule of holiday charter flights still only yields a total of less than 4,000 one-way flights per year. By comparison, more than 53,000 Hong Kong and Macau flights landed in or took off from Taiwan's airports in 2005. Most passengers

on those flights connected to or from PRC destinations. Some cross-Strait travelers passed through other airports in the region like Cheju, South Korea, as well. To have a real impact on Taiwan's economy, charter flight frequency will have to be expanded dramatically. End comment.

WANG